

Decentralization and Capacity Building: Selecting Modes of Training for Indonesia

November 10, 2000

Koichi Mera, Ph. D.
School of Policy, Planning, and Development
University of Southern California

* Presented at 47th North American Meetings of the Regional Science Association International, Chicago, November 9 through 12, 2000.

* Submitted to sponsoring United States Agency for International Development-Partnership for Economic Growth (Project Number: 497-0357, Strategic Objective SO-1, USAID Office: ECG USAID/ Indonesia, Contract No: 497-C-00-98-00045-00, Grantee: University of Southern California). The conclusions and opinions expressed herein are those of the author and are not necessarily those of USAID, the U.S. Government, or the Government of Indonesia.

BACKGROUND

The need for capacity building in developing countries has been advocated for long. International organizations such as the United Nations, the World Bank, and the Asian Development Bank have been working on this issue. Many young people from developing countries are being trained in universities in advanced countries being financially helped by their own national governments, donors, and other international organizations. Many have gone back to their own country and, if they have gone to the public sector, most have joined the central government rather than local governments. Behind successful national economic management of some developing countries, one can find highly trained bureaucrats, in some cases, called Berkeley mafia or Cornell mafia, depending on the university many of these bureaucrats were trained. Capacity building of selected few might have been completed successfully for many countries. However, the developing countries are now demanding much more of capacity building as they decentralize.

Currently many developing countries are moving from a centralized system of governance to a decentralized one. It is reported that 63 out of the 75 developing countries with a population greater than 5 million have gone to a decentralized system since 1980s.¹ It is generally viewed as desirable moves. It is often said that decentralized governance will meet residents' desire more closely as decision-makers know well about the conditions of the area they are living. This will be true when certain conditions are met. But, the issue is not an academic one. Decision to decentralize is not decided on the basis of its merits versus demerits, but rather it is decided politically. There are many reasons for the political decision. In some cases, it is a way of avoiding some responsibility by the central government, a means of obtaining greater amounts of foreign aid, due to pressure against dictatorship, or for improving the support for the political leader.

For whatever the reason, Indonesia has embarked on the road to decentralization in a grand scale. As a backlash to Soeharto's centralized control of the country, there was

¹ Dillinger (1994), p.6.

increased pressure President Habibie to decentralize. The Parliament hastily adopted two laws for decentralize the governance system of the country in the spring of 1999. These two laws require the government to implement drastic measures for decentralization within two years. The Law on Regional Governance (Law 22, 1999) specifies political and administrative responsibilities for each level of government, and the Law on Fiscal Balance (Law 25, 1999) delineates the new division of revenue sources and intergovernmental transfers, including sharing of oil and gas revenues.

The notable aspect of the Indonesian decentralization is the magnitude and rapidity of change. Under these laws, all public service delivery functions except defense, foreign affairs, monetary and trade policy, and legal systems will be decentralized to district level governments that number about 350. Provinces, higher level of governments that number 26, are not given much responsibility except coordinating district level governments. The district level governments, which comprise districts and cities, will become responsible for most public services such as education, health, infrastructure and local services. This implies that the share of spending by subnational governments will increase from 19% to 40% next year.²

The issue is not only the matter of increase in spending. In the past, local governments have been subjected to the directives from the Center. They have been accustomed to follow Center's guidelines and financial allocation. Quite frequently, the Central government provided consultant services for the preparation of investment projects. They have not been trained to think on their own. The need of capacity building is enormous because, first, their way of thinking needs to be changed, and, second, the number of local governments is large.

ALTERNATIVE APPROACHES TO CAPACITY BUILDING AT THE LOCAL LEVEL

International agencies and donor organizations have given considerable attention to capacity building in recent years. The United Nations General Assembly requested an

² The World Bank PREM, No. 43, September 2000, p.1.

evaluation of operational activities in 1995, and in response, UN (1999) recently published a book evaluating capacity building activities supported by the UN system. The projects evaluated are mainly aimed at national organizations, and not those of local levels. UNDP(1998) publication introduces a large number of donor-financed projects in support of “decentralized governance” . Some projects are aimed at capacity building at local level. However, each is addressed to one community or a single organization. None of them is addressed to the overall strategy of capacity building at the local level. The Asian Development Bank (ADB) recognizes that “subnational governance is the realm that has the most immediate impact for the majority of people living in the Asian and Pacific region” (ADB 1998, p. 20), and derived to a set of guidelines that are useful for developing capacity at the local level. The newly issued Urban Sector Strategy of ADB(2000) lists capacity building as one important policy area. However, neither did present an overall strategy for capacity building at the local level.

In determining a strategy for national capacity building³ at the local level, there is a need of identifying modes of capacity building (supply methods) and also there is a need of identifying the clients of capacity building (receivers). There are several alternative modes of providing capacity building in general. Frequently used modes are:

1. Enrollment in academic degree programs
2. Enrollment in short-term training programs
3. Training of trainers
4. On-the-job training
5. Consultant services

Let me discuss the relative merits of each alternative.

Enrollment in academic degree programs is a useful way of training selected few but only few. In addition, it takes time to train. This mode alone does not meet the enormity and

³ Grindle (1997) defines “capacity building” to include “strengthening organizations” and “reforming institutions” in addition to “developing human resources”(pp. 12-13). However, in this paper it is confined to “developing human resources” only.

urgency of the need of the country. Already there are a number of programs that are providing funds for this purpose.

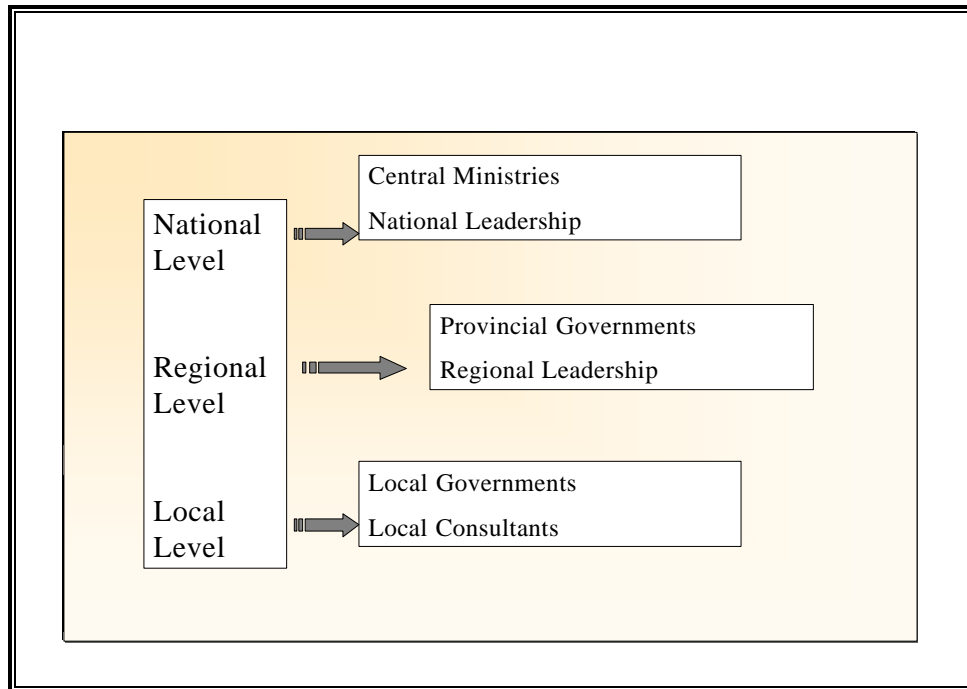
Enrollment in executive programs would be a cost-effective way of training a sizeable number of persons in a relatively short period. Such programs can achieve a great deal. We need to keep in mind, however, that training one person out of a large number of a work group such as department is not so effective because often the person trained cannot train the entire group by him/herself. A critical mass of trained group is necessary.

Training of trainers is often considered a highly cost-effective way of propagating training. It is indeed a good way in the long-run. But, again this will take a long time. First, the first tier of trainers needs to be trained well, often in academic degree programs. Then, the second tier needs to be trained in a similar ways or in shorter courses. Training of trainers will be more successful and faster if it is applied to those who have a significant level of experience and knowledge.

On-the-job training is an excellent way of training, but it requires a sizeable number of good training grounds. In addition, it requires significant length of time. For the task at hand in Indonesia, this mode is not appropriate.

Consultant services may be used to train civil servants as well as solving their own problems. To be effective, consultants should be readily accessible. Thus, it is good to have excellent local consultants who would be readily available to local governments.

On the receivers' side, the following groups can be identified at each level of the national hierarchy:



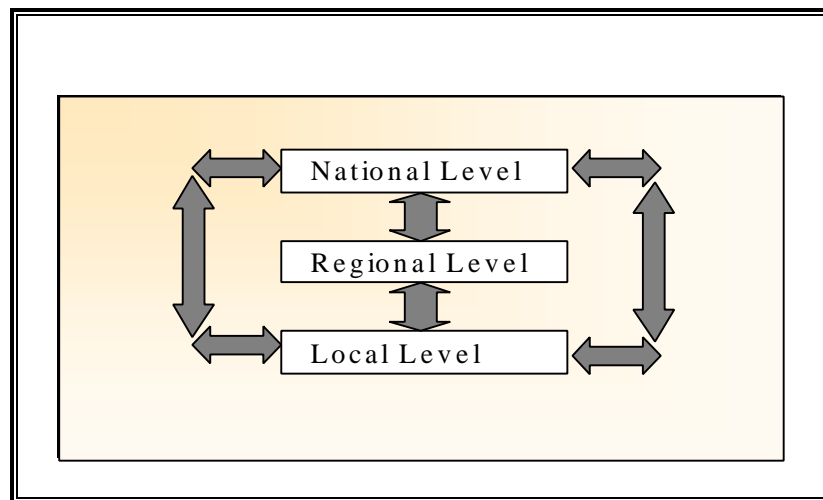
The Central ministries and national leadership do not decide on any specific issues, but set general guidelines and policies. The national leadership includes prominent professors and opinion leaders in the field.

At the regional level, provincial governors and regional opinion leaders play major roles. In the case of Indonesia, the significance of this level is somewhat diminished. The leaders include professors in regional universities. They may play as opinion leaders, but also perform as consultants for local governments.

At the local level, the local governments play a major role. First, the political leadership, mayor or district head and the members of the local council are the main target of capacity building. Second, leaders of bureaucracy should be targeted for capacity building. As the number of the targeted recipients of capacity building is large, there is a need of having a correspondingly large number of potential suppliers of capacity building. If there are consultants available from nearby, the objective could be achieved. Those may be consultants within the same local government or those available within the province. University faculty members may perform this role.

CBDI - APPROACH

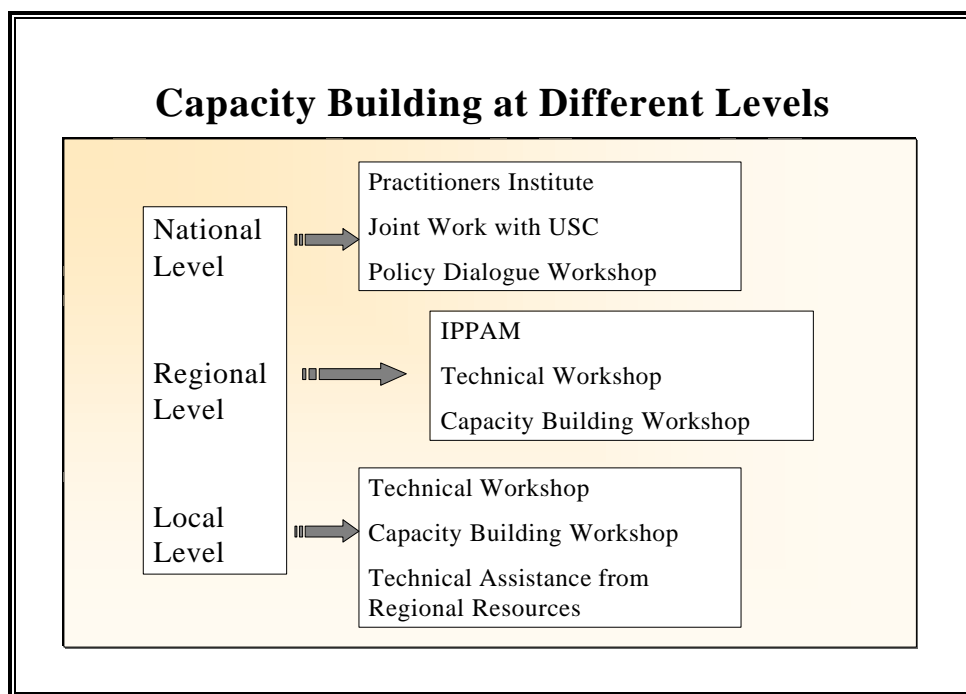
By considering the need for and supply capability of capacity building at each level of the country, a group of USC School of Policy, Planning, and Development faculty developed a multi-layer approach in response to call for proposals by the United States Agency for International Development in 1999. The project that has been approved late in 1999 is called Capacity Building for Decentralization in Indonesia or **CBDI**. In order to strengthen local administrative capacities, we need to strengthen such capacities at all levels in the country, e.g., at the national, the regional, and the local level. Unless these capacities are strengthened at the national level, local level capacities cannot be strengthened. Even if they are strengthened, they cannot be maintained. Strengthening of such capacities is necessary at the regional level in order to disseminate knowledge and skills to individual local governments. Thus, our approach can be seen as follows:



By addressing capacity building at three levels, we believe that capacity building can be strengthened and maintained.

At the **national level**, we have identified the Institute of Technology Bandung as the academic institution and several Central Government organizations as the administrative institutions, such as Ministry of Home Affairs, Ministry of Finance, Ministry of

Settlements and Regional Infrastructure, and Central Planning Agency, that will have leadership in the building of capacities at the local level. At the regional level, we envisage regional universities as leaders within their respective region. At the local level, the local governments at the level of Kabupatens(districts) and Kotamadjas (cities) as the focal points of capacity building. Thus, we have prepared a number of training and technical assistance activities designed to work at these three levels.



As shown in the diagram, the first element is the **Practitioners Institute** (the Institute for Planning and Development Practitioners) that has been held every summer at the School of Policy, Planning, and Development at the University of Southern California. This two-week Institute is designed for high-level experienced professionals and academics who have been involved in local level management and development. World's top experts in the fields are invited to speak at this Institute, and participants learn up-to-date knowledge and new ideas for providing public services and managing infrastructure investment at the local level. A limited number of Indonesians are participating in the Institute as a part of this project. The participants will, upon return from Los Angeles, utilize the knowledge gained at the Institute for improving their guidance to regional and

local counterparts. For year 2000, three ITB faculty members and a senior planner of Central Planning Agency were invited to participate in the Practitioners Institute.

The second element is the joint work of **USC-ITB** itself. Through the work with USC faculty, the ITB faculty will acquire and expand knowledge in the field of capacity building for local planning and management. The knowledge they will gain is mainly of universal theories, techniques, and specific solutions to specific problems. The USC faculty in turn gains a great deal of Indonesia-specific knowledge. Through this process, the ITB faculty will become able to lead the field more competently for the country.

The third element is the **Policy Dialogue Workshop** itself. This is an occasion for Central ministries to express their respective policies and receive questions and comments. By having this opportunity, various groups such as local government leaders, donor agencies and NGOs are able to communicate with national policy leaders to clarify issues and to influence their policies. Exchanges of views serve as a vehicle for expanding knowledge and for improving understanding. Through exchange of views, policy makers are able to identify the areas that need more resources, opportunities for collaboration and cooperation, policy directions that require greater attention. Through discussion of one particular project, a host of issues related to capacity building at the local level are reviewed and clarified.

At the **regional level**, particular attention is given to faculty members at regional universities. Because of an easy access to local governments in their respective region, and because they are intellectual leaders, they are invited to become leaders in the region for local level capacity building. Selected faculty members will be invited to participate in the Capacity Building Workshop that is held at Bandung in each of two years during which this project is implemented. When the Capacity Building Workshop is completed, they provide technical assistance on certain issues on which an agreement will be made with each of the local governments. This technical assistance will be provided on site at the local government, with all high level employees in the field in attendance. This kind of training/technical assistance has proved more effective than training of a few of the

employees. These faculty members are encouraged to extend services to other local governments in the region.

At the local level, we hold two **Workshops, Technical and Capacity Building**. At Technical Workshop, we invite the heads of selected local governments and their associates to Bandung. The objective is to inform them of the coming changes in the administration, and of the need for capacity building at the local level. We have presentations by the heads of local governments concerning current issues held by them. These presentations help to sharpen the contents of the next workshop, the Capacity Building Workshop. Local government employees participate in the Capacity Building Workshop along with university faculty members or other resource persons. These employees assist university faculty members when they come for technical assistance.

Another characteristic of our approach is our emphasis on administrative capacity. We consider the capacity of administrative personnel very important for the performance of local government in satisfying residents' needs. Under the general guidance of the local Council and of higher levels of the government, it is they who should be preparing specific programs of service delivery and infrastructure investment. Even though some of the work may be contracted out to consultants and operating agencies, they must know what to contract out and how to supervise these contractors. We are targeting our ultimate effort to building capacity at local government employees.

We have started with the following subjects as high priority for capacity building at the local level:

1. Understanding the functions of local governments,
2. Priority setting in infrastructure development and service provision,
3. Setting infrastructure and service standards,
4. Infrastructure planning and capital budgeting,
5. Pricing of local services,
6. Managing private provision of local services, and
7. Community participation in decision-making and implementation.

On the basis of a training needs identification (TNI) survey, we would select several high priority subjects among them.

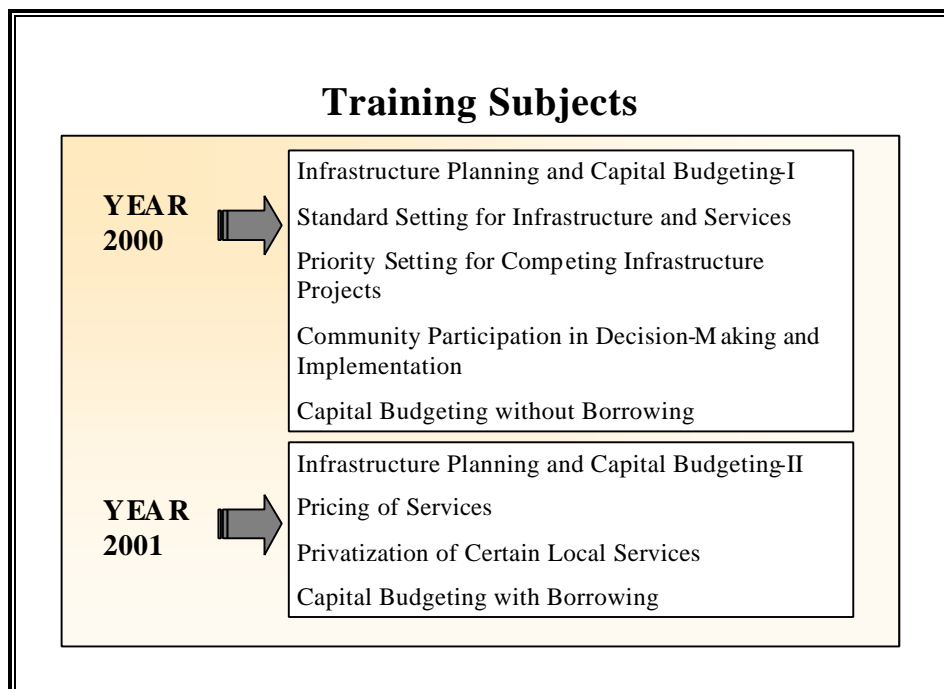
Another characteristic of our approach is to help those that will be willing to help themselves. We shall be targeting all regions of Indonesia, but would like to help those who are willing to learn and want to improve their capacity. We planned to help all kinds of local governments, urban and rural, or outer islands and Java, and rich and poor.

PROGRESS TO DATE

We have made substantial progress in (1) the identification of training needs, (2) the selection of training subjects for two years, and (2) the selection of local governments for training in the first year, and proceeded to complete most of the elements of capacity building for 2000.

We sent a questionnaire to all local governments in 8 selected provinces. Out of 121 questionnaire forms sent, we have received back 56 responses. These responses indicate that the local government staff is fairly well trained in physical subjects of providing infrastructure and services, but is not well trained in financial, managerial, and economic matters. In addition, they know well about the current ongoing changes in the functions of local governments. Most of the subjects we are going to offer fit very well to their demand. Most of the local governments proved they are willing to participate in the training.

By considering that fiscal relationships of the local governments with higher levels of governments are now evolving, it has been decided that the subject of local government borrowing will be offered in the second year. The subjects of training in the two years are:



We have selected 10 local governments on the basis of geographic distribution, and diversity in characters such as urbanization and economic development. The linkage with ITB proved to be an important element for selection process. The selected local governments are as follows:

Island	Province	Local Government
Sumatera	Sumatera Selatan	Kota Palembang
	Lampung	Kota Bander Lampung
Jawa	Jawa Barat	Kota Bandung
	Jawa Barat	Kabupaten Bandung
	Jawa Barat	Kabupaten Sumedang
	DI Yogyakarta	Kabupaten Bantul
	Jawa Timur	Kabupaten Bankalan
Kalimantan	Kalimantan Selatan	Kabupaten Banjar
Bali	Bali	Kabupaten Klungkung
NTT	Nusa Tenggara Timur	Kabupaten Timor Tenga Utara

These areas represent diverse local units. The three local governments in and around Bandung represents a large metropolitan economy, where as Timor Tengah Utara is a poor, isolated rural community. There are three Kotamadjas (cities) and seven Kabupatenes (districts). Each one of the ten local governments is highly committed to the training.

Each of the selected local government chose two consultants from their own region who will come back later to provide technical assistance to themselves. This will be explained later in reference to Capacity Building Workshop.

At the next higher level, the **IPPAM** program is held at the campus of the University of Southern California.⁴ The eleven Indonesian students enrolled in IPPAM's Urban Management Program have already completed their program in July 2000, and returned to their former organizations in Indonesia. They will be playing significant roles in their respective organizations.

Then, the following events were held:

- **Policy Dialogue Workshop, May 17, BAPPENAS, Jakarta**

We had a large attendance. Presentations were made by a representative of Central Planning Agency, Ministry of Finance, State Ministry of Regional Autonomy, Ministry of Settlements and Regional Development, and State Ministry of Public Works.⁵ Serious concern was expressed about the possible consequences of implementing the scheduled decentralization and the need of capacity building was emphasized.

- **Practitioners Institute: June 13 through 23 at USC, Los Angeles**

This was held with the theme of Managing and Financing Local Development. Altogether 32 persons participated as participants, of whom 16 were from Indonesia. The following topics were covered:

⁴ This is a special 13 months master's program called International Program for Policy and Management.

⁵ There was a massive reorganization of Central ministries after this date. The names of the organizations show here are those at the time of the event.

The role of local governments
 Responsibilities for delivering infrastructure and public services
 Central-local fiscal relationships
 Local revenue generation
 Community participation in local development
 Borrowing for development
 Privatization of service delivery
 Pricing for services
 Basic human needs at the time of decentralization
 Participants presentations

- **Technical Workshop, May 22 through 24, ITB, Bandung**

The heads of the selected 10 local governments and their assistants gathered to hear the needs for capacity building to prepare for decentralization. Director General of the Ministry of Human Settlements and Regional Development and a UNDP expert delivered speeches, former giving a national perspective and the latter an international perspective. Each of the local government' heads made a presentation on the state of the local government. During this workshop, the specific subject on which technical assistance was to be provided by regional consultants were determined through consultation.

- **Capacity Building Workshop, July 17 through 22, ITB, Bandung**

In this Workshop, for each local government three employees and two regional consultants participated. They went through 6 days of intensive training on the subjects selected for this year. These subjects were taught in teaching modules. Each session was conducted by a pair of USC and ITB faculty members. In addition to listening to lectures, each local government group was assigned to solve the issue identified in the Technical Workshop with the use of techniques learned during the Workshop. For example, each group was requested to organize community participation for promoting the project under consideration.

- **Technical Assistance to Local Governments from Regional Consultants, Fall 2000**

Those consultants trained at the Capacity Building Workshop of July will come back to each of the local governments that designated them for training. They will provide assistance to the task determined previously through discussion with USC-ITB faculty. It is our belief that government officials will be better trained at the job by engaging themselves in the tasks they are doing by the help from resource persons nearby. In this case, the consultants who have been trained in the same Workshop are helping their tasks. This process is scheduled to complete by the end of November.

A REVIEW AND PROSPECT

A cycle of research and training events started in January. We have addressed capacity building needs at three levels in the nation. Each level was provided with a different set of programs. But, the largest effort was directed to the local government level. We have trained leadership and government employees of 10 local governments directly. But, at the same time, we have trained resource persons available for these local governments so that they will be available in the future for the same local governments and also for additional local governments nearby. It is hoped that the training of such resource persons will have propagating effect.

Another characteristic of our system is that we place emphasis on real problem solving. Although we have provided concepts and techniques that are applicable to all local governments with lectures, we have used actual cases each group is working at the office for training. Trainers become “consultants” for their own problems. By having significant representation from each local government (in our case, three persons) and having two resource persons who work for them, the Workshop has become a place for solving their own real problems. A critical mass of persons was there for each local government to make a difference. The learning effect must have been greater as a result. Site inspection revealed that each group is continuing the direction they have decided at the Workshop.

This cycle of training events will repeat itself in the second year. But, in the second year, we shall have another group of 10 local governments and a set of subjects that are slightly different from this year's. When the second cycle is completed, the system of capacity building at the local level will be further strengthened. In addition, teaching modules on key subjects will be left for replication elsewhere and for further development.

Indonesia is a large country. Our effort is a small beginning. There is an immeasurably large need for capacity building at the local level. For example, we are covering at most 20 local governments out of nearly 350. However, we believe we have an overall strategy for building capacity at the local level that is suitable for the country for some time.⁶ With additional resources, the scale of operations may expand. But, it is also true that there are a large number of similar efforts going on within the country. We would like to work together with other similar works through exchange of information, and joint effort to the extent possible. For this purpose, we have established a website for providing detailed information about our activities.⁷ Through expanded operations and cooperation with other project activities, we are hopeful that we would be able to make a difference in the capacity of local governments in the near future.

⁶ In fact, we found after the fact that our approach resembles to the one used by the World Bank for Africa Capacity Building Initiative (ACBI). Refer to James (1998), p. 7.

⁷ www-rcf.usc.edu/~cbdi.

REFERENCES

Asian Development Bank (1998). *Governance and Capacity Building in the Asian and Pacific Region*, Manila: ADB.

Asian Development Bank (1999). *Urban Sector Strategy*, Manila: ADB.

Dillinger, William (1994). *Decentralization and its Implications for Service Delivery*, Washington, D.C.: World Bank.

Grindle, Merilee S. (1997). *Getting Good Government: Capacity Building in the Public Sectors of Developing Countries*, Cambridge, MA: HIID.

James, Valentine Udoh (1998). Building the Capacities of Developing Nations through Empowerment, in Valentine Udoh James (Ed.). *Capacity Building in Developing Countries: Human and Environmental Dimensions*, Westport, CT: Praeger.

UNDP (1998). *Decentralized Governance Monograph: A Global Sampling of Experience* (DRAFT), New York: UNDP.

World Bank (2000). Indonesia's Decentralization after Crisis, *PREM* No. 43, September 2000.